

## Overview of Federal Tax Relief for Individuals and Families

The American Recovery and Reinvestment Act provided immediate and substantial tax relief for individuals:

**MAKE WORK PAY – New Tax Credit:** For 2009 and 2010, the Making Work Pay credit will give families up to \$800 (\$400 for single taxpayers). The credit is reduced for incomes exceeding \$150,000 (individuals over \$75,000). Unlike earlier "rebates," which were distributed via checks mailed to taxpayers, most taxpayers will see this credit in the form of an INCREASE in their paychecks due to a reduction in federal income tax withholding.

**BENEFITS FOR SENIORS AND DISABLED:** Vermont Seniors and others qualifying for Social Security benefits, as well as disabled veterans, will receive a one-time payment of \$250, if they have not received this amount already through the Make Work Pay Credit.

**BENEFITS FOR RETIRED TEACHERS AND OTHERS:** Vermont's retired teachers and other government retirees who aren't eligible for Social Security benefits will receive a one-time refundable tax credit of \$250 if they have not received this amount already through the Make Work Pay Credit.

**NEW CAR DEDUCTIONS:** Most Vermonter's will receive a federal income deduction for all state and local sales and excise taxes paid on the purchase of new cars, light trucks, motorcycles and recreational vehicles (up to a purchase price of \$49,500) from Feb. 17, 2009, to Dec. 31, 2009. The deduction is reduced for incomes exceeding \$125,000 single and \$250,000 for joint returns.

**FIRST-TIME HOMEBUYERS:** The refundable credit equal to 10% of the purchase price of a principal residence for qualified first-time homebuyers has been extended to purchases made before Dec. 1, 2009, and the maximum credit has been expanded from \$7,500 to \$8,000. More importantly, taxpayers no longer need to REPAY this credit unless the home is sold within three years of purchase.

**MAKING COLLEGE MORE AFFORDABLE:** For 2009 and 2010, taxpayers can claim a maximum tax credit of \$2,500 per year for tuition and related expenses (including books) for the first four years of postsecondary education. This credit phases out for families with incomes over \$160,000 (\$80,000 for single filers).

**EXPANDING THE EARNED INCOME TAX CREDIT:** The ARRA increased the earned income tax credit to 45% of the family's first \$12,570 of earned income (for families with three or more children) and would increase the beginning point of the phase-out range for all married couples filing a joint return (regardless of the number of children) by \$1,880.

**RELIEF FROM ALTERNATIVE MINIMUM TAX:** The Alternative Minimum Tax exemption for families has been raised to \$70,950 (single taxpayers to \$46,700). In addition, the dependent care credit, the American Opportunity credit and the Lifetime Learning credit can be used against the AMT. Finally, AMT calculations

will exclude income from tax-exempt bonds issued in 2009 and 2010, along with 2009 and 2010 issuances to refinance bonds issued between Dec. 31, 2002 and Jan. 1, 2009.

**RELIEF FOR LAID-OFF WORKERS:** Although the majority of funds in the ARRA are dedicated to creating jobs and providing tax relief for employers and workers, there is also immediate and substantial relief for laid-off workers. For 2009, the act suspends federal income tax on the first \$2,400 of unemployment benefits per recipient.

**CHILD TAX CREDIT:** The refundable credit is now 15% of income in excess of \$3,000, rather than \$12,500 previously.

*The descriptions on this page are merely summaries and should not be relied upon in calculating current tax liabilities or in estimating the future tax ramifications of possible courses of action. In every case, you should consult the text of the [American Recovery and Reinvestment Act](#) itself and, where necessary or advisable, consult a tax professional.*